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SEC Hosts Roundtable on Artificial Intelligence in Finance

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On March 27, 2025, the Securities and Exchange Commission (SEC) hosted a roundtable discussion on artificial intelligence (AI) in the financial industry at its Washington, D.C. headquarters. The event brought together regulators, industry experts, and stakeholders to explore the transformative potential of AI, along with its inherent risks and governance challenges. Acting Chairman Mark T. Uyeda and Commissioners Hester M. Peirce and Caroline A. Crenshaw delivered remarks that highlighted the SEC's efforts to assess AI's evolving role in finance, including its benefits, risks, and regulatory implications.

BALANCING INNOVATION AND OVERSIGHT

In his opening remarks, Acting Chairman Uyeda framed AI as a continuation of the financial markets' long history of technological advancement, from stock ticker machines to computerized networks. He noted that AI tools can "digest and extract insights from vast and diverse datasets," enhancing decision-making and operational efficiencies in areas like trading, risk management, and investor communications. Uyeda also emphasized AI's potential to lower costs and improve the SEC's regulatory efficiency while noting the SEC's responsibility to provide additional guidance when "advances in technology, such as AI, create potential gaps in [the SEC's] regulatory structure."

Uyeda advocated for a "technology-neutral approach to regulation," expressing concern about overly prescriptive rules that could unnecessarily stifle innovation. He encouraged regulators to obtain data and evidence and embrace a "commonsense and reasoned approach to AI," including engagement with innovators and industry stakeholders.

EMBRACING AI WITH PRACTICAL GUARDRAILS

Commissioner Peirce echoed Uyeda's historical perspective, citing the securities industry's adoption of technologies like the ticker and telephone as precursors to AI. She highlighted AI's capacity to drive efficiencies and reduce costs, and urged the SEC to avoid "artificial fears" and sensationalism in its regulatory response. Reflecting on the agency's 2023 attempt to regulate predictive data analytics, Peirce criticized broad, clumsy approaches and called for targeted solutions based on a "thorough understanding of the particular AI problem" at hand.

Peirce posed practical questions for panelists, such as which areas of the securities industry AI might transform most in the next five years and how the SEC can keep up with innovation and avoid stifling it with outdated rules. Her remarks suggested a preference for tailored guidance and transparency over heavy-handed regulation, and an

approach "consistent with how [the SEC regulates] humans, who are far more wonderful, intriguing, and complex than AI and who also can cause trouble."

PRIORITIZING INVESTOR PROTECTION AMID UNCERTAINTY

Commissioner Crenshaw took a more cautious stance, emphasizing the need to define AI precisely and understand its deployment across the financial services industry. She acknowledged criticism of the overbroad scope of the SEC's predictive data analytics proposal and framed the roundtable as a "reset" to answer fundamental questions about AI's use and oversight in the financial industry, including applications ranging from investor-facing tools to back-office functions.

Crenshaw raised concerns about investor vulnerabilities, such as fraud or systemic disadvantages, and potential market-wide risks like volatility. She posed a question about how current oversight ensures compliance with fiduciary duties and trading rules, categorizing AI as "a sea-change in technology."

IMPLICATIONS

Uyeda's, Peirce's, and Crenshaw's remarks reveal a spectrum of approaches within the SEC regarding its regulation of AI. Together, they indicate that the SEC is actively seeking input to shape a nuanced regulatory framework for AI that leverages its benefits while addressing its risks.

Winston's Capital Markets & Securities Law Watch will monitor developments related to the SEC's regulation of AI and will provide our readers with timely updates as new information becomes available.

For more information, or if you have any questions, please contact the authors of this blog post or your regular Winston contacts.

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